United Nations S/2004/1024

Security Council

Distr.: General
30 December 2004

Original: English

Letter dated 27 December 2004 from the Chairman of the Security Council Committee established pursuant to resolution 1373 (2001) concerning counter-terrorism addressed to the President of the Security Council

I write with reference to my letter of 25 August 2004 (S/2004/687). The Counter-Terrorism Committee has received the attached fourth report from Israel submitted pursuant to paragraph 6 of resolution 1373 (2001) (see annex). I would be grateful if you could arrange for the present letter and its attachment to be circulated as a document of the Security Council.

(*Signed*) Andrey I. **Denisov**
Chairman
Security Council Committee established pursuant to resolution 1373 (2001) concerning counter-terrorism

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Annex

Letter dated 23 December 2004 from the Permanent Representative of Israel to the United Nations addressed to the Chairman of the Counter-Terrorism Committee

On behalf of the Government of Israel I would like to submit the fourth report in accordance with resolution 1373 (2001) (see enclosure).

(*Signed*) Dan **Gillerman**
Ambassador
Permanent Representative

Enclosure

December 2004

Further information requested by the Counter Terrorism Committee.

1. Implementation measures

Criminalization of terrorist acts and their financing:

1.1 Enactment of the new "Suppression of the Financing of Terrorism Law".

The proposed Suppression of the Financing of Terrorism Law has been prepared in the Law and Constitution Committee of the Knesset, in accordance with Israel's legislative procedure. The Committee approved the text which will now be presented to the Knesset. Knesset approval is expected in the immediate future.

1.2 Legislation necessary to enable ratification of international conventions and protocols relating to terrorism.

Israel would like to update the CTC on the progress of legislation aimed at implementing the Rome Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation and the Rome Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf.

(a) The Ministry of Transportation in conjunction with the Ministry of Justice reached the conclusion that in order to ratify the Convention and Protocol. Israel must amend its legislation in order to criminalize the conduct specified in these documents and to create a legal framework authorizing various functionaries to exert the powers necessary in order to apprehend the perpetrator of the terrorist acts, to search him, and to hand him over to the proper authorities.

(b) In accordance with this understanding, the Ministry of Transportation prepared a Government Bill which was disseminated among the government agencies and various public bodies in order to give them an opportunity to submit their remarks.

(c) When the time frame for submitting remarks had passed, representatives of the Ministry of Transportation and the Ministry of Justice convened in order to consider the remarks. An amended version of the Bill was prepared.

(d) At this point only one issue remains to be resolved: whether the legislation should also include aspects which do not relate to the implementation of the convention and the protocol, but rather to the conferring of powers relating to internal, rather then international maritime acts of violence. In order to resolve the fundamental difference of opinion in this point, a meeting is in process of being set up in the office of Deputy Attorney General for Criminal Matters who will decide on this matter.

(e) Once this matter has been decided, the Bill will be published and voted upon in the Knesset upon the first reading. It will be referred to the Law and Constitution Committee where it will be prepared for the second and third readings. Once it is prepared and voted upon in committee, it will be voted upon in a plenary session of the Knesset upon the second and third readings and hopefully pass into law.

Israel wishes to stress that it is giving high priority to this legislation, because of its importance in the battle against international terrorism.

Effectiveness in the protection of the financial system

1.3 Structure, empowerment and staffing of the Israeli Money-laundering Prohibition Authority (IMPA)

The Israeli Money Laundering Prohibition Authority (IMPA) is adequately structured, funded, staffed, and provided with sufficient technical and other resources to fully carry out its mandate.

IMPA is responsible for receiving, analyzing obtaining and disseminating information relating to Money Laundering and Terror Financing to the competent authorities.

IMPA has up to date sophisticated technical and other resources. IMPA operates a highly secured Information Processing System which houses the principal Data Warehouse accumulated from unusual and currency reports and the enrichment information resources. The system is equipped with Anti Money Laundering software program developed and distributed by the Israeli firm ACTIMIZE Ltd., which provides alerts to IMPA analysts in cases of independent reports or compilation of reports that have characteristics that meet the terms of the AML "rules" defined in the system. This sub-system includes up to date FATF points, as well as other modus operandi based "rules", including recommendations following the USA Patriot Act. The tool also provides alerts based on a "Watched Entities" list, maintained by IMPA.

IMPA's organizational structure is programmed and geared to ensure that its functions are properly executed.

IMPA is located in offices in the center of Tel-Aviv, equipped with modern technology and computer systems, and has a staff of 26 persons. The staff comprises of the Head of IMPA, Mr. Yehuda Shaffer, a senior governmental lawyer, with many years of experience in public service; heads of the four divisions (research and analysis division; collection and compliance division; information technology and communication division; and legal division), and analysts. These are qualified persons, with backgrounds in their respective areas of expertise. In addition to its regular staff, IMPA uses the services of outside technical experts.

1.4 Measures to prevent terrorists and other criminals from having unfettered access to wire transfers for moving their funds.

Article 27(b) of *Regulation 411 of the Proper Conduct of Banking Business, Money-laundering Prevention, Customer Identification and Record Keeping*, issued by the Supervisor of Banks, provides that in transferring money abroad by electronic means (e.g. SWIFT), the banking corporation shall indicate the name and account number of the customer making the transfer.

Regulation 411 is to be amended so as to mandate, in addition, enhanced scrutiny with regards to electronic transfers between Israel and designated countries that are vulnerable to money laundering and connected to terror financing.

In addition, the Prohibition on Money Laundering (The Banking Corporations' Requirements regarding Identification, Recording and Record-Keeping) Order, 5761-2001 provides that the following transactions, among others, may be deemed unusual transactions and hence reported to IMPA:

- Transfers of a substantial amount from Israel abroad and from abroad to Israel, where the counterparty to the transaction, whether the source or recipient, is not identified by name or account number.

- An activity that appears intended to take the place of an activity of an organization declared an unlawful association under Regulation 84 of the Defense Regulations (Emergency), 1945.

In accordance with the Prohibition on Money Laundering Law, each financial institution has appointed a compliance officer who is responsible for ensuring compliance with the AML obligations imposed on the institution, including those related to wire transfers.

In addition, the Inspection Unit of the Banking Supervision Department in the Bank of Israel is responsible for carrying out comprehensive AML inspections. Inspections carried out by the Inspection Unit verify and assess implementation and enforcement of the AML legislation and the abovementioned Regulation 411. AML Inspections include assessment of the bank's procedures and the degree to which they reflect all the statutory requirements; the bank's ability to identify unusual activities; analyzing activities by type; reporting requirements; examination of the bank's compliance officer's performance, and more.

Enhanced scrutiny regarding certain wire transfers that do not contain complete originator information is required with regards to other relevant financial institutions, such as stock exchange members and the postal bank.

1.5 Strategies to enable investigative agencies effectively to prevent resources from being transferred to terrorists.

The Israeli investigative authorities and agencies work in concert in order to effectively prevent resources from being transferred to terrorists. The Israel Security Agency works in cooperation with the Israel Police, the Israel Customs and VAT Authority and the Israel Money Laundering Prohibition Authority, to trace movements of monies to and from terrorist organizations. This cooperation takes the form of investigation and intelligence operations, thus enabling the authorities to take the necessary administrative and criminal measures in order to seize monies facilitating terror and eventually confiscate them. The Israel Customs and VAT authority investigates matters related to money laundering originating in customs offences, which include the falsification of customs declarations including under invoicing and over invoicing.

In addition, from time to time, certain organizations and foundations are declared as unlawful associations, following the compilation of material regarding their illegal activities, while focusing on the issue of terror financing and terrorist property.

1.6 Specific training of administrative, investigative, prosecutorial and judicial authorities aimed at enforcing laws in relation to techniques for tracing property which represents the proceeds of crime, or which is to be used to finance terrorism, with a view to ensuring that such property is frozen, seized or confiscated?

Israel provides its various governmental bodies with training regarding a range of AML/CFT issues, including with respect to tracing property which represents the proceeds of crime or which is to be used to finance terrorism. For example, the Institute of Legal Training for Attorneys and Advisers in the Ministry of Justice holds each year training days on AML and CTF matters. These include lectures on seizure and confiscating and other related subjects. Participants in these training days include prosecutors and legal advisers from the various governmental ministries and from investigative bodies such as the Israel Police, the Israel Security agency and the Israel Customs and VAT authority. The Israel Police holds one-week training programs for police investigators, intelligence officers and prosecutors specifically on seizure and confiscation of the proceeds of crime. Other participants in these training programs include representatives from the Israel Customs and VAT authority, the State Revenue Division and other authorities.

Effectiveness of counter-terrorism machinery:

1.7 Reports on counter terrorist activity and details of any efforts to implement international best practices, codes and standards which are relevant to the implementation of Resolution 1373.

The phenomena of money laundering and the financing of terrorism can only be dealt with through the continuing enhancement and updating of AML/CFT methodologies, so as to address the growing sophistication of criminals and terrorists. Accordingly, the Israeli AML/CFT regime is constantly being reviewed, updated and strengthened, in light of new money laundering and terrorist financing typologies and techniques, in order to ensure modernization and provide effective tools to deal with the perils posed by these grave crimes.

Israel has attempted to provide the CTC with the most updated information with respect to the various aspects of the Israeli AML/CFT regime and therefore thinks it will probably be of little use to refer or to attach to the committee older and perhaps somewhat out of dated materials.

2. Assistance and guidance

2.2 Assistance Israel is currently providing to other States in connection with the implementation of the Resolution.

Since the Al-Qaeda attacks against the United States in September 2001, there has been a dramatic increase in Israel's contacts with Member States with a view to strengthen the implementation of Security Council Resolution 1373. Many of these contacts, which include an increasing number of regular counterterrorism dialogues, have been established and advanced at the initiative of our interlocutors. In addition, Israeli counterterrorism experts regularly interact with their counterparts, both in Israel and abroad, and also participate actively in multilateral counterterrorism fora.

Israel continues to welcome the opportunity to assist other likeminded Member States in promoting the implementation of SCR 1373 and other SC Resolutions pertinent to the international fight against terrorism. In this context, we frequently refer to the CTC Directory of Assistance for new relevant information on Member States seeking assistance. Furthermore, our action plan for 2005 includes several new initiatives to be promoted in bilateral and multilateral frameworks. With our assertive counterterrorism outreach, we prefer to advance these activities discreetly inter alia out of deference to our interlocutors.